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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Gratis personnel provided by Governments and other entities

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. In his report on gratis personnel provided by Governments and other entities (A/51/688 and Corr.1), the Secretary-General drew the attention of the General Assembly to the current situation with regard to the acceptance of gratis personnel, particularly in terms of issues relating to their status and accountability, their implications for personnel and financial policies and procedures and the impact on the exclusively international character of the responsibilities of the Secretariat. The Secretary-General expressed his appreciation for the generous contributions from Governments of services of personnel but at the same time, given the significant number of gratis personnel provided over the past few years and the inconsistency in the application of rules and procedures for their acceptance, he indicated the need to review the situation and to establish uniform policies to guide the acceptance of such personnel and their utilization and annexed to his report a set of guidelines for the acceptance of gratis personnel.

2. In its decision 51/466 of 3 April 1997, the General Assembly, having reviewed the above-mentioned report of the Secretary-General and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (A/51/813), requested the Secretary-General, inter alia, on an interim basis and pending consideration and final decision on this issue:

(a) To review the proposed guidelines annexed to his report;

(b) To update the information provided, including data on the nationality of gratis personnel, detailed descriptions of the functions entrusted to them and any change in the use of gratis personnel after 31 October 1996;

(c) To submit a comprehensive report on the methodology and level for the application of administrative support costs mentioned in paragraphs 51 to 66 of his report, including its legislative basis, and in the interim to maintain the status quo in this regard.

3. The present addendum to the Secretary-General's report deals with the methodology used for and the level of the application of administrative support costs. Addenda 2 and 3 address the other two issues.

II. ADMINISTRATIVE SUPPORT COSTS

A. Legislative basis

4. Article 17, paragraph 2, of the Charter of the United Nations states that "The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly". In 1950, in the context of approving the Financial Regulations (General Assembly resolution 456 (V) of 16 November 1950), the Assembly made provision for the acceptance of voluntary contributions. Financial regulation 7.2 reads as follows:

> Regulation 7.2: Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority.

5. The question of charges from assessed budgets for support of extrabudgetary activities has been a concern of the General Assembly for many years. Pursuant to General Assembly resolution 210 (III), of 18 November 1948, provisions were incorporated into the Financial Rules of the United Nations to establish the basis for extending services and facilities, on a reimbursable basis, to the specialized agencies and other organizations and to activities financed from trust funds. Such services and facilities included purchase and supply, transportation, space and building maintenance services, documents and printing services, translations and interpretations, library and archival services, furniture and equipment, telecommunications and legal and administrative services (personnel, finance, accounts). The question of "overhead" costs emerged during the 1950s in relation to costs incurred from the regular budget in the administration of technical cooperation projects financed by extrabudgetary funds. The extent of those costs and how much should be reimbursed have been the subject of extensive consideration over the years.

6. Following a review in 1955 of the administrative and operational service costs related to technical assistance activities, the Advisory Committee on Administrative and Budgetary Questions suggested that those costs should not

exceed 12 to 14 per cent of the total programme costs of the participating organizations (A/2661).

7. The 12 per cent figure was adopted by the Economic and Social Council in its resolution 737 (XXVII) of 30 July 1959. Following the creation of the United Nations Development Programme (UNDP), a rate of 13 per cent was established in 1972 by its Governing Council, which revised it to 14 per cent in 1975. Several reviews of the methods of calculating support costs of UNDP programmes were carried out, including a cost measurement study carried out by the Consultative Committee on Administrative Questions of the Administrative Committee on Coordination. It was found that the cost measurement system was generally applicable to all extrabudgetary activities to which programme support was provided, as well as to estimating the costs of supporting the substantive activities of the United Nations, whether financed by the regular budget or by extrabudgetary sources. The study revealed that in the acceptance and administration of voluntary contributions, organizations of the United Nations system incurred support costs of approximately 22.5 per cent.

8. In its consideration in 1977 of services provided by the United Nations to activities funded from extrabudgetary resources, the Advisory Committee reported that the intent of regulations 7.2 (acceptance of voluntary contributions) and 13.1 (decisions of intergovernmental bodies with programme budget implications) of the Financial Regulations of the United Nations was to protect the Organization from unwittingly assuming additional financial liabilities (A/32/8/Add.9). Consistent with that objective, the Advisory Committee was of the view that the services in support of substantive activities financed by extrabudgetary funds should not be defrayed from the regular budget and that reimbursement based on a simple agreed formula should be sought from the funding agencies and trust funds, except in cases where the General Assembly has specified otherwise (A/32/8/Add.9). Pursuant to that view, the Advisory Committee supported the position of the Secretary-General that the reimbursement rate of 13 per cent recommended by the Governing Council of UNDP for agency support costs would be used as a basis for determining reimbursement from funding agencies as well as from trust funds (A/35/544, para. 9). The General Assembly, in its resolution 35/217 of 17 December 1980, took note of that report and approved the reimbursement formula embodied in decision 80/44 of 27 June 1980 of the Governing Council of UNDP.

9. That resolution of the General Assembly is the legislative basis for charging for programme support costs at the rate of 13 per cent of voluntary contributions. Subsequent to the adoption of the resolution, the Secretary-General, in March 1982, issued a bulletin on the establishment and management of trust funds (ST/SGB/188), an administrative instruction on general trust funds (ST/AI/284), an administrative instruction on technical cooperation trust funds (ST/AI/285) and an administrative instruction on programme support costs (ST/AI/286).

10. In his report on gratis personnel, the Secretary-General indicated the lack of consistency in the application of the Financial Regulations and Rules and policies when dealing with the acceptance of gratis personnel, whose number had grown significantly over the past few years. In some cases, resources from assessed budgets were being utilized to finance support services related to

gratis personnel, while in other cases there had been a charge for administrative support costs, in accordance with the Financial Regulations and established policies.

11. The acceptance of voluntary contributions almost always involves additional financial liability for the Organization in terms of associated costs. In the case of voluntary contributions in the form of gratis personnel, those associated costs comprise, for instance, secretarial and administrative backstopping, equipment, supplies, office space, utilities, communications and legal and medical services, as well as costs for travel, daily subsistence allowance and participation in United Nations training and language programmes. While some Governments have expressed the view that, at a time of budgetary constraints, their contributions of personnel have been essential for the full implementation of the work of the Organization and their contribution of gratis personnel would more than offset the costs of support services resulting from the Secretariat's acceptance of the gratis personnel, other Governments have stressed that the associated costs related to acceptance of voluntary contributions should be the responsibility of the donors and should not be financed collectively by the entire membership through their assessed contributions.

12. The relationship between voluntary contributions and assessed budgets of the Organization has been the subject of much discussion by Member States over the years. Voluntary contributions accepted by the Secretary-General have primarily been for technical cooperation activities and for activities supplementary to those approved in the programme budget. More recently, however, particularly in the case of support to peacekeeping operations and the work of the international tribunals, gratis personnel have been accepted to help implement mandated activities that have been included in assessed budgets. In this connection, some Governments have argued that the acceptance of gratis personnel performing mandated activities would not, therefore, involve additional financial liability for the Organization since support costs have already been included in the budgets; this argument is valid only if the gratis personnel are to be considered a substitute for staff to be recruited against authorized posts for the implementation of the approved activities.

13. At the same time, the Secretary-General, in his report on gratis personnel, also pointed out that the General Assembly, in its resolution 50/214 of 23 December 1995, had reiterated the need for the Secretary-General to ensure that resources were strictly utilized for the purposes approved by the Assembly. This has been interpreted to mean that the resources approved by the Assembly must be used for staff and non-staff costs as indicated in the relevant budgets and that resources cannot be spent from assessed budgets, whether from the regular budget or the budgets of the international tribunals, peacekeeping operations or the peacekeeping support account, in order to utilize voluntary contributions provided by a few donor Governments.

14. Against this background, any change to the current policies and procedures on charging for administrative support costs related to the acceptance of voluntary contributions in the form of gratis personnel would require a General Assembly resolution, which would be dependent, first and foremost, on a decision

concerning the conditions under which the Secretary-General may accept gratis personnel in the first instance.

B. Methodology and level for the application of administrative or programme support costs

15. In the absence of specific guidelines for the acceptance of type II gratis personnel as a voluntary contribution, the administrative instruction on non-reimbursable loans of personnel services from sources external to the United Nations common system (ST/AI/231/Rev.1, of 23 January 1991) has served, in many cases, as the basis for the terms and conditions agreed between donor Governments and the United Nations for their voluntary contributions of type II gratis personnel.

16. That administrative instruction deals with the question of non-reimbursable loans from Governments providing expertise for technical cooperation projects. To defray the costs associated with the acceptance of those experts (type I gratis personnel), programme support costs are charged at the rate of 13 per cent, with an additional 1 per cent, if applicable, for compensation in the event of injury, illness or death attributable to the performance of services on behalf of the United Nations.

17. The charge for programme support costs for non-reimbursable loans is generally calculated on the basis of requirements for standard common services costs for a staff member at the P-3/P-4 level, as follows: maintenance and rental of premises, utilities and office supplies; maintenance of office automation equipment; telecommunications; secretarial and administrative support (generally calculated at five personnel to one General Service staff); and medical services. The annual recurring costs for those support services amount to approximately US$ 17,900, approximately 18 per cent of the average cost of a P-3/P-4 staff member. As indicated above, the rate charged for those support costs is 13 per cent, in line with the level of reimbursement for agency support costs as agreed by the General Assembly in its resolution 35/217.

III. SUMMARY AND CONCLUSIONS

18. There has been a significant increase in the number of gratis personnel in recent years as administrative, budgetary and other financial constraints made it difficult to recruit staff in a planned and orderly manner. The acceptance of gratis personnel has nevertheless made it possible for the Secretary-General to execute recent mandates related to peacekeeping operations and the tribunals in a timely manner. It is the view of the Secretary-General that this situation should not be interpreted as a standard practice which would absolve Member States from meeting responsibilities under the Charter or from reaffirming the principle that Member States collectively should provide the necessary resources for the implementation of mandated programmes and activities by staff recruited in accordance with the Staff Regulations and Rules pursuant to Articles 100 and 101 of the Charter.

19. Support costs arise in respect of the acceptance of gratis personnel; the difficulty among some Member States is how much, and where, to provide for those costs. The question of the applicability of administrative or programme support costs for type II gratis personnel has arisen because heretofore voluntary contributions have related primarily to supplementary or non-assessed activities, but in the context of type II gratis personnel, voluntary contributions are currently linked to activities that have been specified and approved by the General Assembly in the relevant assessed budgets, both regular and peacekeeping.

20. Unless otherwise decided by the General Assembly, the acceptance of voluntary contributions, including gratis personnel, is subject to compliance with the Financial Regulations and Rules. The methodology used in the application of administrative support costs charged for voluntary contributions, including gratis personnel, and the level of such costs, have their legislative basis in Assembly resolution 35/217. That resolution was followed by administrative instructions and bulletins that addressed the issue of voluntary contributions and the charging of programme support costs.

21. Any change in the established policies for acceptance of voluntary contributions and for the charging of administrative support costs related to the acceptance of voluntary contributions, including gratis personnel, would require a decision by the General Assembly, which would be dependent, first and foremost, on a resolution concerning the conditions under which the Secretary-General may accept gratis personnel in the first instance.